Louisiana Legislative Fiscal Office Fiscal Notes

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 116** HLS 23RS 489

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 18, 2023 6:27 PM

Author: ORGERON

Dept./Agy.: CPRA

Subject: Includes alternative energy in the Coastal OCS dedication

Analyst: Deborah Vivien

COASTAL RES/COASTAL ZONE OR SEE FISC NOTE GF RV

Provides relative to the disposition of funds derived from alternative energy production in the coastal area

Current law dedicates all federal revenue generated from the Outer Continental Shelf (OCS) from oil and gas activity to the Coastal Protection and Restoration Fund. Limitations on uses are stipulated in law as integrated coastal protection, such as conservation, restoration, hurricane protection or infrastructure directly impacted by coastal wetlands losses with a 10% limit on infrastructure. Current law establishes criteria for wind leases and directs any funds from wind operating agreements 25% to DNR and 75% to the state general fund. Proposed law directs all revenue generated on state lands and waterbottoms located in the coastal area (not defined in law) from alternative or renewable energy production or sources, including wind operating agreements, to the Coastal Protection and Restoration Fund to be used for similar purposes. Proposed law directs any federal revenue generated in the OCS by alternative energy (wind, solar, tidal, wave, geothermal and other alternative or renewable energy production or sources) to the same dedication as OCS mineral revenue, which is the Coastal Protection and Restoration Fund. Contingent upon voter approval of HB 99 of 2023 Regular Session on 10/14/23

EXPENDITURES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill is the statutory companion to the proposed Constitutional amendment in HB 99 seeking to dedicate federal revenue from alternative energy in the Outer Continental Shelf (OCS, which is 3 U.S. nautical miles offshore) to the Coastal Protection and Restoration Fund under the same dedication as oil and gas revenue is currently dedicated.

CPRA reports no current authorization at the federal level to distribute the alternative energy revenue to states, including any potential revenue from the first offshore wind lease sale in federal waters of the Gulf of Mexico. The sale is anticipated for the summer of 2023 and will include up to 102,480 acres south of Lake Charles. Should federal legislation be passed distributing the funds to states, CPRA estimates an annual rent payment of less than $100,000 for Louisiana until wind turbines begin generating electricity. Other offshore bonuses off of New York and California have garnered large bids. The sale off of Louisiana will help signal the potential for wind energy production in the Gulf of Mexico.

The bill will direct all lease and operating agreement revenue from alternative energy generated on state lands and water bottoms to the Coastal Protection and Restoration Fund. This is similar to a royalty payment for mineral revenue but applied to alternative energy, which may be measured in a different manner. Of the alternative energy sources, only wind energy operating agreements are addressed in current law regarding potential payment procedures, with the Mineral Board controlling the agreements (R.S. 41:1733(D)). LFO cannot verify payment mechanisms or procedures for other sources of alternative energy. The bill appears to supersede (or may conflict with) the language in R.S. 30:209(4)(a) which directs 25% of operating agreements to the Mineral and Energy Board and 75% to the state general fund. Under this bill, all of the potential state revenue from alternative or renewable energy production or sources, including but not limited to wind, solar, tidal, wave and geothermal energy will accrue to the Coastal Protection and Restoration Fund. It is not clear whether any component of carbon sequestration fits within this definition.

For informational purposes, royalty payments as considered in the state's revenue forecast explicit to mineral leases are constitutional, and local governments receive 10% of royalties generated within their jurisdictions. In the bill, the state payments for alternative energy do not include a 10% local distribution.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Alan M. Boxberger

Alan M. Boxberger
Interim Legislative Fiscal Officer